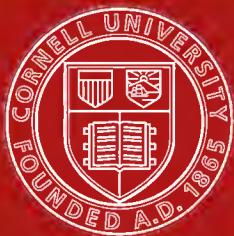


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OFFICIAL SYNOPSIS
OF THE
REPORT
OF THE
AGRICULTURAL CREDIT
COMMISSION
OF THE
PROVINCE OF SASKATCHEWAN

1913

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OFFICIAL SYNOPSIS OF THE REPORT OF THE ROYAL COMMISSION ON AGRICULTURAL CREDIT

The report is a unanimous one, being signed by the three commissioners, J. H. Haslam, Chas. A. Dunning and Dr. E. H. Oliver. It comprises 386 pages of typewritten matter and several appendices. Printed copies of the full report will be available in a few weeks' time and may be had free of charge upon request addressed to the Department of Agriculture, Regina.

Following a copy of the Royal Commission come the acknowledgments of the commissioners to the persons and organisations that have assisted it in its labours.

INTRODUCTION.

An introduction sets forth the fact that "cheap money" so-called forms only one phase of the whole great problem of reordering rural life which European countries have so successfully accomplished through the medium of agricultural co-operation. It is pointed out that there, as with us, agriculture was the last industry to become organised and that the rural rebirth of Europe, carrying with it better and cheaper agricultural credit, dates from the organisation of the farmers along co-operative lines. Through organisation their agriculture has been profoundly affected on three sides, viz., as an industry, as a business and as a life. And the problem is no less broad in Saskatchewan. In the words of Sir Horace Plunkett, the apostle of rural Ireland, "Into the industry you must introduce the teachings of modern science, as it has been introduced into every other important industry. Into the business must be imported methods of combination, simply because, under modern business conditions, transactions must be on a large scale to be economical. The life of the rural community must also be modernised by making it physically more comfortable, mentally more satisfying and socially more enjoyable." Out of this grows a slogan for Saskatchewan farmers: "Better farming, better business, better living."

The legitimate place of credit facilities in agriculture is also pointed out in the introduction.

After outlining the procedure followed by the Commission in its inquiry, the report proceeds to a consideration of Agricultural Credit as it exists at the present time. Respecting mortgage credit this conclusion is reached: There is great need of cheaper credit, based on sound security spread over a considerable term of years, applied to assist mixed farming and to improve the lot of the average farmer on a half section.

The Commission concludes from the evidence it received that four-fifths of the patented farms of the province are mortgaged and at a rate of interest on the average in excess of 8 per cent. The rate of interest, too, tends to increase rather than to decrease. Owing to the smallness of the annual payments of principal required and the general lack of insistence upon the payment even of these, there is found to exist in Saskatchewan under the guise of short term mortgages, a system in reality of long term loans on mortgage.

After analysing a great deal of information relating to mortgages prepared for it in the offices of the registrars of the Supreme Court and of Land Titles throughout the province, the Commission summarises the data submitted in these words:

SUMMARY OF MORTGAGE INFORMATION.

During the period of fifteen months ended August 15, 1913, there were no less than 1,723 sale and mortgage proceedings under mortgage in this province. It should be pointed out that the returns given above are not quite complete. Probably not less than 2 per cent. of the farmers of Saskatchewan were subjected to these proceedings under the conditions that obtained in this period. Of the mortgages in connection with these proceedings 150, or 8.7 per cent., bore an interest rate less than 8 per cent. But 435, or over 25 per cent., bore an interest rate higher than 8 per cent.; 261, or over 15 per cent., a rate of 10 per cent. or higher; 35 a rate of 12 per cent. or higher; and 3 a rate of 15 per cent. And these mortgages were placed at these rates before the present upward trend in interest rates occurred.

BUSINESS HABITS OF THE FARMER.

The business habits of the farmer come in for some comment. It is made clear that the unavoidable uncertainties of farming and marketing frequently render prompt payment difficult if not impossible, but it is also stated that when delays do occur, many farmers fail to notify the company. The conclusion reached is that interest payments are usually met the year they fall due, payments on principal are seldom pressed for, and renewal of the mortgage is made easy.

LONG TERM MORTGAGES.

"In fact the present system of payments seems designed to render renewal necessary and debt perpetual. With the final payment so large the borrower can seldom meet it out of the current year's income. The mortgage is not only renewed; the amount of the loan is very frequently increased.

"These features of our mortgage system are reprehensible. The mortgage is not calculated to develop business habits nor promptness. It is a document that places the farmer, from the

beginning, in an impossible situation. It holds out to him the prospect of confronting a payment which he can never hope to meet. Under the guise of a short term mortgage there actually exists a system of long term mortgages, but with this difference, that the farmer is compelled to renew every five years or lose his farm should he fail to meet the mortgage. The system of long term mortgages with repayment on the amortisation plan encourages promptness and does away with that spectre of the final payment which, like the sword of Damocles, hangs suspended over the farmer."

It is pointed out that the mortgages are numerous rather than heavy.

WHY LOANS ARE SECURED.

The purposes for which loans on mortgage are granted may be enumerated:

1. To consolidate past debts.
2. For machinery. In this matter there has been considerable overstocking, due, as one farmer stated, to the "science of salesmanship."
3. For stock.
4. For building and general equipment.
5. To provide working capital.
6. To buy more land.
7. To "finance trips East" or similar purposes.

GRAIN GROWERS ASSOCIATION ON LEGITIMATE USE OF LOANS.

A representative of the West Eagle Hills Grain Growers Association placed before the commission the following statement of the legitimate uses to which long term mortgage credit might be put:

"The purchase of stock of all kinds necessary for scientific and correct farming, together with adequate stable accommodation for the same; the digging or drilling of wells to secure a sufficient water supply, together with an equipment necessary, such as small gasoline engine and pump jack for pumping water where a large supply is necessary or a well is unusually deep; fencing for pasture or corral; the purchase of seed grains that are of an earlier or more productive variety; to redeem notes of the large machinery companies that are harassing farmers so relentlessly at the present time; or for any other addition to the foregoing that would tend to save labour and put the keeping and raising of stock and the production of grain upon more sound, satisfactory and scientific basis. It should be assumed that mortgages under this head should be limited to farms of one-half section in extent, which should have been resided upon and worked continuously during three years previous to the application for mortgage."

THE PROVINCE AND THE BANKS.

Regarding personal credit, as distinct from mortgage credit, and which is furnished principally by merchants, dealers and banks, the report says in part:

In appreciating the banking situation in this province it is fair to consider not only the complaints against the banks, but, as well, the services which they have rendered:

1. Services rendered by the banks:

- (a) Until recently they have in general afforded an abundance of credit;
- (b) They have pushed out into the smaller places and granted credit facilities when the amount of business to be secured immediately did not yield a profit;
- (c) They have exerted an educative influence upon the business habits of the community and inculcated the virtue of promptness.

2. Complaints against the banks:

- (a) They have frequently sought to dominate the policy of those businesses to which they have advanced credit;
- (b) They have sought rather to pay dividends and to support expensive edifices than to afford credit to customers at reasonable rates;
- (c) They are not controlled within the province and in a time of stress when credit facilities are most required, the banks withdraw them from the western provinces;
- (d) Their charges for transferring funds are unreasonably high;
- (e) The rate of interest on loans is unnecessarily large;
- (f) The interest allowed on deposits is too low.
- (g) Their sympathies lie rather with the commercial than with the agricultural class.

The difficulty of securing bank credit in 1913 as compared with other years and rates of interest are then discussed. The practices of charging a minimum rate of \$1 on small loans, of deducting the interest from the loan when made and of charging interest for days of grace when the loan is repaid previously, come in for consideration and some criticism.

INDEBTEDNESS OF SASKATCHEWAN FARMERS.

It is well nigh impossible to estimate with any degree of accuracy the amount of the indebtedness of the farmers of this province. The Commission gave every facility to implement companies, loan companies and banks doing business within the province to make an analysis of the credit extended to the farmers and of their loans and deposits.

WHAT FARMERS OWE.

There is no doubt that the largest factor in the indebtedness of Saskatchewan farmers is the amount which is due to mortgage companies. A conservative estimate would place this in the neighbourhood of \$65,000,000. For the next largest amount implement companies are responsible. We are certain from evidence submitted confidentially to the commission by only a limited number of branch offices that the total indebtedness of farmers to merely six branch offices is \$15,106,726.68. It is not improbable that at present between \$35,000,000 and \$40,000,000 is outstanding for machinery. The amount owing on agreements of sale for land is very considerable. To one company the farmers of this province owe \$5,770,000 and to another \$3,622,920.45. The amount due for pre-emptions, for horses, for store credit, lumber, bank credit and for miscellaneous debts, together with that due for the purchase of land is not less than \$50,000,000. The farmers of Saskatchewan are paying interest on at least \$150,000,000. If this is the case then their agricultural credit is costing them \$12,000,000 annually. The saving of only 1 per cent. in interest would mean the saving to the farming industry of over \$1,500,000 per year. If farmers could secure money at a rate as much as 2 per cent. cheaper than at present they could, by making their payments on the amortisation plan, discharge their total indebtedness in about 24 years' time by simply continuing to pay what they are now paying for interest. And this would be abundantly worth while.

THE DEBT PER ACRE.

From the above estimate it can be clearly perceived that the average indebtedness of our farmers is, perhaps, \$1,500. The average farm of the province consists of about 295 acres. Thus the indebtedness of the farmers is slightly in excess of five dollars per acre of land under occupation at the present time. The average farm has gathered about it assets in the shape of buildings, stock, implements and grain. When we remember that the province is in its infancy, that many of our people came here with no other resources than resourcefulness, strong determinations and the willingness to work, and that they have met with energy and courage the problem of planting a home in a new land, we can have no doubt that our farmers are solvent, that their assets compare favourably with their liabilities. But the thoughtful citizen will, nevertheless, regard the present situation as calling for serious attention.

It is impossible in this synopsis to give any account of the methods which the commission found in existence elsewhere for facilitating agricultural credit. Under this heading all of the institutions for this purpose found in Germany, Italy, Hungary, Austria, Denmark, France, Great Britain and

Ireland are described and discussed, and those existing in India, New Zealand and Australia, which could not be visited by the Commission are also dealt with.

The observations of the Commission from investigations in Europe are stated as follows:

GENERAL OBSERVATIONS FROM INVESTIGATIONS IN EUROPE.

1. There is in all European countries a frank and universal recognition of the supreme importance of agriculture as an industry, as shown by:

(a) Government co-operation in:

1. Education;
2. Facilitating credit;
3. Promoting co-operative institutions for production and distribution of products;
4. Supervision of processes;
5. Application of scientific knowledge.

(b) Sympathetic attitude of urban communities toward agriculture.

(c) Active participation in agricultural affairs on the part of public spirited citizens and national leaders.

2. Co-operation in everything that affects agriculture has advanced beyond the theoretical into the practical stage.

BENEFITS OF CO-OPERATION.

3. Co-operation has conferred enormous benefits upon the rural communities of Europe by:

- (a) Stimulating production;
- (b) Increasing the area under production;
- (c) Improving the price of products;
- (d) Opening up markets;
- (e) Cheapening the cost of farm necessities;
- (f) Reducing the expenses of transportation;
- (g) Finishing the products of the soil on the farm;
- (h) Use of live stock in the utilisation of roughages of the farm and the return to the soil of natural manures;
- (i) Putting farming on a business basis:
 - (1) By providing credit;
 - (2) By systematising business organisation;
- (j) Stimulating scientific agriculture;

- (k) Preventing frauds and deceptions in the purchase of raw materials;
- (l) Improving breeds of animals and plants:
 - (1) By community breeding and cow testing associations;
 - (2) Seed selection and distribution.
- 4. By organisation farmers have been able to provide a security which has attracted loans at favourable rates.
- 5. Agricultural security has been based upon:
 - (a) Mortgage upon the amortisation scheme covering a considerable period of time and at reasonable rates;
 - (b) Personal credit associated with
 - (1) Collateral;
 - (2) Indorsements.
- 6. By attracting local deposits to co-operative credit associations the resources of local communities have been made available in the first instance for local purposes.
- 7. The securities based upon land credit have been in the main less susceptible to the fluctuations of the money market than other securities.
- 8. Though in various places the nominal rate of interest is as low as 3 per cent., $3\frac{1}{2}$ per cent. and 4 per cent., yet the market value of bonds is such that the present borrower is forced to pay an actual rate considerably in excess of this.
- 9. A system of registration of Land Titles similar to the Torrens System is of basic importance in securing agricultural credit.
- 10. Every effort is made to dispose of the bonds locally.
- 11. The face value of the bonds outstanding in no case exceeds the net value of the mortgages held and frequently withdrawal rights are inserted in the bonds.

AUSTRALIA.

The Government Agricultural Banks of Australia, patterned largely after some European models, are described in a chapter, of which the opening paragraphs are as follows:

"Agricultural banks, established, owned and operated by governments are found today in various quarters of the world. It cannot be denied that they have rendered substantial service to the rural population of New Zealand and Australia. It is as yet too early to estimate the usefulness of the one recently established in the Philippine Islands.

"The Agricultural Banks of Western Australia, Queensland and Tasmania, the Government Savings Bank of New South Wales, the State Savings Bank of Victoria, the State Bank of

South Australia and the State-Guaranteed Advances of New Zealand conform somewhat closely to one common type. The deviations are due in a large measure to differences in the wealth of the various communities and in the character of the land system. In each case an advance fund is raised by the issue of mortgage bonds or debentures guaranteed by the government and the administration of this fund devolves upon a small central board. The purposes for which advances are made are similar, though not identical. The security demanded is of the highest character, generally a first mortgage. In no instance is more than two-thirds or three-fifths of the value of the property offered as security granted, except only in the case of South Australia, where a special advance may be made when the land is under cultivation as a vineyard or an orchard. Provision is usually made for the proper expenditure of advances. When they are not applied to the purpose for which they have been granted, or are expended in a careless or extravagant manner, the central board is authorised to refuse to pay further instalments of proposed advances and to call in the whole amount already advanced. The repayments cover a considerable term of years, as great as 36½ years in New Zealand and 42 years in South Australia and are made by equal half-yearly instalments to cover principal and an interest rate of about 5 per cent. Unpaid instalments and other moneys due under the mortgage may be recovered in a court of competent jurisdiction. The borrower is entitled to repay the balance or any portion of the principal money with accrued interest on any day appointed for a half-yearly payment."

CHAPTER VII.—SUMMARY.

There seem to be three ways of establishing agricultural credit in the province upon a basis to provide money at a reasonable rate:

Three methods

(a) *Strictly co-operative*, that is to say, a Co-operative, Credit Association based upon:

1. Unlimited liability; or
2. Liability limited to a certain multiple of the share capital or certain percentage in excess of the obligations incurred.

(b) *Strictly Governmental*, that is to say, a provincial bank with land mortgage features or a provincial mortgage institution with banking features.

(c) *Co-operative Credit Association* with an initial government guarantee adequate, and a supervision sufficient, to establish, within a term of years, the independent credit of the association.

In case any one of the three suggested plans were adopted the Commission is of the opinion that three principles should be laid down:

1. Loans should be provided to farmers only upon unquestioned security and for approved agricultural productive or improvement purposes only.
2. Provision should be made for repayment upon the amortisation plan.
3. The aim should be to render a service to the borrower, and not to secure profit to the institution.

WHAT IS INVOLVED IN EACH SCHEME.

(a) *Strictly co-operative*

In case the strictly co-operative credit association were established, this would necessitate:

- (a) A series of local associations composed of individuals grouped together on the principle of unlimited, multiple or additional liability.
- (b) A federation of these local associations into a central organisation to serve as a clearing house for the locals, a supervisory body and representative to the outside world.
- (c) The raising of money by:
 1. Mortgage bonds to be sold upon their own merits in the open markets of the world;
 2. Deposits from members and nonmembers;
 3. Share capital or fees from members.

(b) *Strictly governmental*

In case a strictly governmental scheme were established this would necessitate—

- (a) A central bank or mortgage institution.

- (b) Local branches established and controlled by the central.
- (c) The raising of money by—
 - 1. Foundation capital provided by the government;
 - 2. Issue of mortgage bonds guaranteed by the government;
 - 3. Deposits by:
 - (a) Government;
 - (b) Citizens.

In case a co-operative credit association with at least an ^{(c) Co-operative} initial government guarantee and supervision were established, ^{and govern-} ^{mental} this would necessitate:

- (a) A central commission for organisation and management:
 - 1. In the first instance to be appointed by the government;
 - 2. To be replaced gradually and ultimately by representatives of local associations.
- (b) Local associations established on the principle of collective liability:
 - 1. Directly by central commission;
 - 2. On local initiative, but with supervision and consent of central commission.
- (c) The raising of money by—
 - 1. Bonds guaranteed by the government to be covered by the first loans issued on mortgages;
 - 2. Further issues of mortgage bonds guaranteed by the government till the credit of the association is established;
 - 3. Deposits.

ADVANTAGES AND DISADVANTAGES

The *advantages* of the strictly co-operative credit association ^{(a) Strictly co-operative} are:

- (a) Self-government.
- (b) It would not impair the credit of the provincial government.
- (c) It would be absolutely free to promote other co-operative activities.

The *disadvantages* of the strictly co-operative credit association are:

- (a) The difficulty of securing local organisations of sufficient size and number in our as yet sparsely settled province to establish the project upon an independent footing.

(b) The time required:

1. To perfect the organisation.
2. To secure funds to provide any considerable relief.

(c) The difficulty of securing such a recognition in the markets of the world as would secure funds at a reasonable rate.

(b) *Strictly governmental*

The *advantages* of a strictly governmental scheme are:

- (a) Its recognition in money markets both at home and abroad should be instant.
- (b) It could be launched on an adequate scale without unnecessary delay.
- (c) It would give unquestioned security to attract deposits.
- (d) It would supplement the present banking machinery of the province by the addition of banks which possessed primarily provincial sympathies.

The *disadvantages* of a strictly governmental scheme are:

- (a) The possibility of partisan political interference.
- (b) The continuous impairment of the credit of the provincial government.
- (c) It would fail to foster co-operative action between farmers.

(c) *Co-operative and governmental*

The *advantages* of a co-operative credit association with at least an initial governmental guarantee and supervision are:

- (a) Its recognition in money markets both at home and abroad should be instant.
- (b) It would be launched on an adequate scale without unnecessary delay.
- (c) It would give unquestioned security to attract deposits;
- (d) It would supplement the present banking machinery of the province by the addition of banks which possessed primarily provincial sympathies.
- (e) It would stimulate the spirit of co-operation among farmers.

The *disadvantages* are:

- (a) The possibility of partisan political interference in the early years of the association.
- (b) The impairment of the credit of the Provincial Government to a limited degree and for a limited time.

Investigations both at home and abroad have convinced the Commission that a strictly independent co-operative credit association is not under present conditions feasible. The

other two schemes both involve the necessity for the present at least:

- (1) Of securing far the larger portion of the money required from sources outside the province;
- (2) Of active co-operation on the part of the government of the province.

This province needs both a mortgage business and a banking business closely and intimately associated with the interests of its people. The issue of mortgage bonds and the loaning of money on mortgages, *i.e.*, a mortgage business, is a distinct type of business from the receiving of deposits and making short time loans, *i.e.*, a banking business. But if the machinery of the mortgage business should be distinct and separate from that of the banking business, the general policy of both should be the same, to promote the interests of the borrower. In Germany the Landschaften have overcome this difficulty by establishing as a daughter but separate institution a bank to transact the banking business for the Landschaften, to receive deposits and to advance short time loans. The directors are the same, the general policy identical, but the machinery has in each case been adapted to the needs of the different types of business. The difficulty, however, of launching two projects successfully at one and the same time, helpful and necessary as they may be, makes it advisable to establish the bank *after* the mortgage institution.

Linking personal and mortgage credit

At present provincial assistance would appear indispensable, ^{Provincial assistance required} if service is to be promptly or adequately rendered. The task of inaugurating the whole scheme rightly devolves upon the provincial government. It should be prepared:

1. To pay expenses of organisation.
2. To provide certain guarantees for the mortgage association.
3. To render assistance in the establishment of the bank at a later date.

CHAPTER VIII.—EXISTING ECONOMIC CONDITIONS IN SASKATCHEWAN.

The situation in Saskatchewan merits the most serious consideration. The conditions of our economic life, and particularly of our agricultural economic life, cannot longer pass unchallenged. In a large measure the springs of our material progress must arise within the borders of our own province. Hitherto our fortunes have depended too largely upon outsiders, who, naturally enough, have had their own interests to serve. It is eight years since we became a province and in that time we have accomplished much. We have laid the foundation of many provincial institutions. But much remains. We must at all hazards beget a provincial consciousness. We must promote the cohesiveness of rural life in our midst. We must in greater measure become masters of our fate and authors of our own policies. To accomplish this we need to co-operate and to apply ourselves to that type of agriculture where co-operation counts most. More diversified farming and better organisation for purchasing and distributing will lead us far towards the solution we are seeking. To continue selling grain in the lowest market and buying supplies in the highest is only fatal. If the farmers unite, they can accomplish in other spheres what they have achieved in the elevator business—they can to a larger extent regulate the conditions of their own industry; and the result will not be simply economic. The benefits will extend to every department of our moral, social and political life.

Up to the present wheat has been our chief product; and wheat is a world product, with the price fixed at Liverpool, where world forces operate. Every charge against this wheat from local shipping points to Liverpool, or whatever may be its ultimate destination, is not only subtracted from the farmer's income, but is levied at points and under conditions over which, except for the operations of the farmers' co-operative companies, the farmer has absolutely no control.

Our dependence on transportation

Our geographical situation places Saskatchewan farmers at the mercy of those who profit by transporting the wheat the farmers have laboured to produce. We live in the heart of a great continent, far from water transportation, so far, in fact, that our competitors in world markets have, without exception, a natural physical advantage which yields them a cash advantage per bushel of from 5 to 8 cents. It is not denied that we owe much, perhaps everything, to the building of railways. It is only contended that the cost of transportation adds enormously to the burdens that the farmers on the prairies must under present conditions bear.

Our relation to the tariff It is not our intention in this connection to examine the merits and defects of the Dominion tariff policy nor to investigate its suitability to the country as a whole. It is not even

urged that a policy which is Dominion wide in its scope could possess the merit of special adaptation to the particular needs of this province. At present only one point is insisted upon—that tariff, as an actual fact, takes slight account of western agriculture; and the tariff will continue to impose its load upon the farmers, not because they desire it, but because our fortunes are determined by those who live outside our borders.

What is true of transportation and the tariff is true as well of ^{Our credit institutions controlled from without} manufacturing, finance and banking. It is with the latter that we are at present concerned. With the exception of two or three financial institutions only recently established, and as yet too small to constitute an important exception, we have no financial institutions of our own. We do not furnish directors to the banks that operate in our midst. It is not in this connection alleged that the banks and loan companies have failed to provide credit facilities. It is not even suggested that they have encouraged speculation by a too indiscriminate granting of credit. It is only contended that we have had to depend upon the wisdom and sympathy of Winnipeg, Toronto and Montreal. The time may be far distant when this province will be independent of outside sources of supply for the funds necessary for its development and growth; but the time is already at hand to develop financial institutions with local provincial sympathies. We desire to supplement, not supplant, that which exists; for it is easy in a time of stress for the Corinthian columns of the metropolis to shut out from view the rude shacks of the prairie farmer.

We have no need at this time to examine the whole economic environment of Saskatchewan agriculture. Still it has not escaped us that in the solution of particular problems the task which confronts us is at once larger and more complex than appears at first blush. In their essence the problems of our rural life are intimately interrelated. No solution can come to the question of agricultural credits which has not, at the same time, arisen out of a serious study of general, and more particularly of market, problems. For this reason it is important to point out that the Commission on Agricultural Credit was associated with that on Grain Markets, and that in the various centres of the province the general problems of grain growing, mixed farming and marketing were investigated at the same time as the question of Agricultural Credit.

Before endeavouring to indicate what may be at least a ^{Economic problems} partial solution to the economic difficulties that confront our rural population, it will be helpful briefly to enumerate the more pressing among them:

1. The dependence of our economic life upon outsiders.
2. Our location in relation to the export market for our principal farm products.
3. The lack of cohesiveness in our rural life.

4. The primitiveness of market arrangements for products other than grain and dairy products.
5. The absence of concerted action in the sale of products other than these.
6. The lack of even collective action in the purchase of farm supplies.
7. Too exclusive devotion to grain growing.
8. A tendency towards extravagance, especially in the purchase of implements, land and expensive sources of power.
9. Relatively high rates of interest and short terms for mortgage and personal loans.
10. The large amount of credit associated with the purchase of agricultural implements and farm supplies.
11. The attractions in the past of real estate speculation in urban communities.
12. The lack of social atmosphere in rural districts.
13. The enforced idleness during winter months in localities where only grain is grown.

For much of this we have no remedy. We cannot alter the facts of geography nor amend those handicaps which arise from physical conditions. It is not possible to bring this province nearer to the Great Lakes, though much may be gained from the route to Hudson Bay and something from the Panama canal. The tariff, as such, is a matter for the whole Dominion. We cannot, so long as we remain comparatively undeveloped, build up those great reserves of funds which come from thrift and which make cheap credit possible; but there is something that can be achieved. By concerted action and intelligent marketing we can eliminate at least some transportation charges, and we can outline a rural policy that will broaden and deepen as the years pass by. That policy must be: *While seeking to encourage in every way trade and markets with other provinces of the Dominion and countries of the world, and to reduce to a minimum the costs of transportation and other charges, before everything else to strive by every effort to foster such economic relations within the province as will promote greater cohesiveness of rural life, yield to the producer a larger share of the returns from the products of his farm, while at the same time cheapening the costs of such products to the provincial consumer, and give to the people of this province a larger control over the conditions of their own material progress.*

CHAPTER IX.—THE SOLUTION IN THE LIGHT OF EXISTING CONDITIONS.

The province is at the beginning of a new era. We have come ^{A new era} in and possessed a goodly land—that has required enterprise and energy. Other virtues must henceforth be more largely called into play. Individual effort has been its reward and it has been abundant. Henceforth thrift and intelligent co-operation will play a greater *role* than hitherto. In view of the changing conditions of our economic life, the Commission believe that a solution of our problems must be sought along two lines, which after all do not greater differ:

1. The spread of co-operative effort, especially at present, in the direction of selling and purchasing.
2. The fostering of financial institutions of our own, with sympathies for our own problems and control by our own people.

1—CO-OPERATION.

The need of our agricultural life is closer organisation. ^{Co-operation needed} The farmer should be a cell in a rural organism. As it is, in his relation to every other industry he stands as an individual unit. He must accept low and give high prices because he acts only for himself and by himself. Between himself and his fellow farmers alone is there unrestricted competition, a competition from which he can expect only to suffer. But while agriculture is unorganised, every other industry is highly organised. Whereas tradesman and dealers invariably possess among themselves understandings and a common policy, farmers have ever occupied too isolated a position and too detached a relation to invite or reward competition on the part of those who seek their trade. They do not act together sufficiently to induce sellers to lower, or buyers to raise, prices to secure a large block of business; and in this province their too exclusive devotion to grain production has fostered this aloofness from each other. The co-operative purchase of binder twine and the achievements of the Co-operative Elevator ^{Co-operative enterprises now existing} Company constitute splendid exceptions. But, with a larger measure of mixed farming, and its attendant greater compactness of settlement, the more uniform distribution of labour throughout the year, the consequent development of markets within the province itself, and the disappearance of the instinct to stake the success of the whole farming industry on a single throw for which exclusive grain growing is responsible, the way would be clear for united action and for that success which the operation of co-operative creameries so happily foreshadows. At present the urban Saskatchewan consumer buys butter from

afar, and pays the cost of transportation, while at the same time some rural Saskatchewan producers (unnecessarily, in view of the government creamery policy) send as good or better butter outside the province and lose the cost of transportation. Co-operation in this matter and a dozen others would largely eliminate this double charge for transportation, would increase the profits of the producer, decrease the cost to the consumer and tend to bind our population into an economic whole.

Important effects in Europe

Agricultural co-operation has produced a rural rebirth in Denmark, Germany, Italy, Ireland and other lands. These countries have found the co-operative society rather than the joint stock company suited to secure better prices for the sale of produce and the advantages of wholesale purchase of agricultural supplies. The reason is not far to seek. The profits of the latter belong to the shareholder who may or may not give his patronage to the company; but the profits of the former belong to the purchaser according to the extent of his dealings, and furnish a constant incentive towards fostering the development of the co-operative society.

Advantages summarised

The chief advantages of co-operation as applied to agriculture may be briefly summarised:

1. Economies due to handling goods on a large scale, both in buying and selling.
2. The elimination of multitudes of nonproductive middlemen.
3. Protection against adulteration and inferior articles and implements.
4. A more intelligent study of market conditions and arrangements.
5. Co-operation develops responsibility in private and public life, makes for education in good citizenship, and trains men to act with prudence.
6. Co-operation produces a more cohesive rural social life.

In a powerful plea for the establishment of the rural community, George W. Russell, Editor of the *Irish Homestead*, declared to the American Commission at the Plunkett House, Dublin, July 15, 1913:

"If this ideal of the organised rural community is accepted there will be difficulties, of course, and enemies to be encountered. The agricultural middleman is doubtless as powerful a person on the American continent as he is in this little island. He will rage furiously—he will organise all his forces to keep the farmers in subjection, and to retain his peculiar functions of fleecing the farmer as producer and the general public as consumers. Unless you are determined to eliminate the middleman in agriculture, you will fail to effect anything worth while attempting. I would lay down certain fundamental propositions which, I think, should be accepted without reserve as a

basis of reform. First, that the farmers must be organised to have *complete* control over all the business connected with their industry. Dual control is intolerable. Agriculture will never be in a satisfactory condition if the farmer is relegated to the position of a manual worker on his land; if he is denied the right of a manufacturer to buy the raw materials of his industry on trade terms; if other people are to deal with his raw materials, his milk, cream, fruit, vegetables, live stock, grain and other produce; and if these capitalist middle agencies are to manufacture the farmers' raw material into butter, bacon, or whatever else; are to do all the marketing and export, paying farmers what they please on the one hand and charging the public as much as they can on the other hand. The existence of these middle agencies is responsible for a large proportion of the increased cost of living, which is the most acute problem of modern industrial communities. They have too much power over the farmer and are too expensive a luxury for the consumer. It would be very unbusinesslike for any country to contemplate the permanence in national life of a class whose personal interests are always leading them to fleece both producer and consumer alike. So the first fundamental idea for reformers to get into their minds is that farmers, through their own co-operative organisations, must control the entire business connected with agriculture. There will not be so much objection to co-operative sale as to co-operative purchase by the farmers; but one is as necessary as the other. You must bear in mind, what is too often forgotten, that farmers are manufacturers, and as such are entitled to buy the raw materials for their industry at wholesale prices. Every other manufacturer in the world gets trade terms when he buys. Those who buy, not to consume, but to manufacture and sell again, get their requirements .. wholesale terms in every country in the world. If a publisher of books is approached by a bookseller he gives that bookseller trade terms because he buys to sell again. If you or I, as private individuals, want one of those books we pay the full retail price. Even the cobbler, the carpenter, the solitary artist get trade terms. The farmer, who is as much a manufacturer as the shipbuilder, or the factory proprietor, is as much entitled to trade terms when he buys the raw material for his industry. His seeds, fertilisers, ploughs, implements, cake, feeding stuffs are the raw materials of his industry, which he uses to produce wheat, beef, mutton, pork, or whatever else, and, in my opinion, there should be no differentiation between the farmer when he buys and any other manufacturer. Is it any wonder that agriculture decays in countries where the farmers are expected to buy at retail prices and sell at wholesale prices? You must not, to save a row, sell the rights of farmers. The second proposition I lay down is that this necessary organisation work among the farmers must be carried on by an organising body which is entirely controlled by those interested in agriculture—farmers and their friends."

Geo. W. Russell
on co-operation
among
farmers

2—THE FOSTERING OF FINANCIAL INSTITUTIONS OF OUR OWN.

Features of existing institutions

The following features are characteristic of financial institutions which at present exist within the province:

1. With two or three unimportant exceptions they are not controlled within the province.
2. Being associations of lenders whose primary object is to secure profits, their interests in the final analysis are different from those of the borrowers.
3. The extremely low rate of interest allowed on deposits does not afford an inducement for people to save or to invest.
4. The great bulk of the funds used within the province is derived from sources outside the province.
5. The same institutions do not furnish mortgage and personal credit.

Features to be sought

The following features should be characteristic of those financial institutions, the primary object of which is public service:

1. They should be controlled within the province.
2. They should seek to serve both borrowers and lenders alike. Associations of borrowers grouped together to furnish the most ample security and who stand collectively liable, would have as their first duty to keep the lenders safe and as their primary object to secure credit cheaply.
3. Profits should be reduced to a minimum, only sufficient to cover expenses of administration and to build up the necessary reserve fund.
4. They should allow sufficient interest on deposits to encourage thrift and to induce people to invest safely.
5. Though for a considerable time in the future the great bulk of the funds used within the province must be derived from sources outside the province, they should constantly aim to place the financial resources of our districts and our province, however meagre to begin with, primarily at the services of these districts and this province.
6. Though different institutions furnish mortgage and personal credit they should operate harmoniously and sympathetically.

Security the essential

To embody these principles in an institution in this province is not impossible if regard be had to existing conditions and the laws of natural growth. In work of this nature we must hasten slowly, but we must hasten for even now debt is clinging

like a millstone to the neck of many a homesteader and farmer on the prairie. Those who expect the touch of Midas will be disappointed. If we would build for the future we must build wisely. In the world of finance the corner stone is ever the same—security. The first and greatest commandment must be to avoid risk. They greatly err, who, in their search for cheap money, seek only London and the marts of the world. The world of finance is like the Kingdom of Heaven. The beginning is within and at home. The only basis for cheap credit is the security that cannot be questioned. Without that the farmers of this province cannot secure money at favourable rates; with that they can challenge the money markets of the world.

To begin at the bottom. It is clear that the individual farmer needs money to bring forth the productive qualities of his land, but he cannot of himself offer a security that will attract investors at home and abroad. He can, however, become the unit cell of a vast system. He can go to his neighbours and say, "At present the lender is in a position to dictate terms to borrowers. This can be reversed if we only safeguard the rights of the lender and recognise that the interests of both borrower and lender are the same. Let us stand together in this matter—let us be responsible for each other. The property we pledge will be more than sufficient to discharge the obligations we incur. But we must remember that we are offering a commodity for sale—credit security, and to obtain what we desire we must offer a quality that is unquestioned. Should one of us fail, the rest must stand in the breach. The very acceptance of a loan means the acceptance of an obligation to meet the annual instalment of interest and principal promptly. If we accept a loan of say \$1,000 we must be liable not only for that amount but also for an additional amount, say \$500, to cover a contingent loss either through the default of a fellow member or through any other cause. Before this collective liability could operate to our individual disadvantage, the assets of that member who was responsible for the loss must first be taken. But as loan could be, say only 40 per cent. of the valuation of his property pledged, the probability of calling on us individually would be very small. In any case we are safeguarded in two ways. We shall admit to our group only those in whose integrity we can place the most ample confidence; and we shall approve of only those loans which we believe are for productive purposes and are calculated to leave the borrower in better shape after he received the loan than he was in before."

Here is the nucleus of our system—a local group of members ^{Proposed} _{plan outlined} jointly and severally liable for each other's debt, and as a group, in due proportion with other similar groups responsible for the whole association. While those local groups are springing into existence in various parts of the province and are waiting to be approved and registered by a central commission, this

commission should be at work organising, directing and inspiring. Though in the meantime appointed by the government, which, as we shall see, in the early stages of this enterprise, has much at stake, it should ultimately be entirely chosen by representatives of these local groups. As soon as adequate machinery has been devised and some measure of success attained, the government should proceed gradually to efface itself and to allow the institution to proceed upon practically an independent career.

Commission

The central commission should be the controlling force. It should not be too large, else it will be cumbersome. It should represent the locals but at the same time regulate their actions. As it must represent the institution before the outside world, and especially in the money markets, it should have the final voice in the acceptance of all loans, having the power to veto those approved by the locals but not the power to approve those vetoed by the locals. To keep this central commission in close and intimate sympathy with the whole rural constituency, there should be brought into existence another and larger body whose chief function should be advisory. Of this advisory board a part should be chosen by the annual general meeting of the association and the remainder might represent the Grain Growers' Association, the Convention of Agricultural Societies, the Union of Rural Municipalities, the Provincial Winter Fair Board, the University of Saskatchewan, and, perhaps, in the course of time, the agricultural co-operative societies of the province.

Advisory board

Money should be raised by mortgage bonds, issued in small denominations, payable to bearer, and bearing interest. They should be issued not against individual properties but against the total aggregate of properties pledged and to an amount not exceeding the aggregate of the loans advanced. Loans should be granted only for approved agricultural productive or improvement purposes, and care should be taken, either by recalling the loan or in some other way, that the borrower adheres to the purpose for which the loan is granted. It is, of course, to be expected that neighbours, who are responsible in the event of a fellow member's default, will keep a sharp eye on his use of that for which they too are liable. The loans should cover a period of years, say from fifteen to thirty-five, and should be repaid in equal payments covering both interest and principal. Provision should, however, be made whereby a borrower might repay at an earlier date if he felt so inclined.

The aim should be to render credit cheap, not to secure profits. The borrower should be required to meet all legitimate expenses and provide for the perpetuation of the association by the creation of a reserve fund. The reserve fund should increase indefinitely and serve as a guarantee against loss.

Promptness essential

Individuals and locals should remember that promptness is the quickest way to establish a reputation for security.

Locals should, therefore, see that all obligations are met at due date. As we have already indicated, this is accomplished in Germany in a rather drastic manner.

Better credit facilities can be provided. We desire to place the emphasis upon the word "better," for it is better credit rather than more credit that the farmers of this province need. Investigation indicates this clearly and the evidence of the farmers themselves confirms it strongly. But to secure that better credit it is not enough to assail existing institutions. A constructive policy is essential. The conviction of the Commission after careful study is that the sober-minded farmers of this province realise thoroughly that the prime requisite in a progressive and constructive programme that will yield better credit is to provide security unquestioned and indisputable; security that is adequate, and, one might almost add, superfluous and unnecessary. But the thoughtful farmer who has addressed himself to these problems knows that in this matter no security should be regarded by the borrower as superfluous and unnecessary. He understands that it is just that precise factor in his security which his neighbour styles "unnecessary," which will render his mortgage bonds readily saleable at reasonable rates. It is in this way that from being a mendicant for credit he becomes a merchant of security. The lender will seek him out, if the security he offers is, as Caesar's wife should be, above suspicion; and in the scheme which this Commission suggests the security which the farmer will offer will be beyond reproach. Every mortgage bond will be secured, even after the period of government guarantee has expired, by the following provisions:

Abundant security necessary

1. The aggregate of the bonds issued may not exceed the total amount of the mortgages placed. Safeguards behind proposed mortgage bonds
2. Mortgages will not be granted beyond a certain proportion of the value of the land estimated with the utmost care.
3. The amount of debt will be constantly reduced by amortisation.
4. The restriction of the loan to productive or improvement purposes will operate constantly to increase the value of the security.
5. The total amount of a perpetually increasing reserve fund, and all the property of the association, will be liable for all claims.
6. In the final analysis the borrowers are collectively liable to an amount 50 per cent. greater than the total amount of their loans to meet the claims of bondholders.

Arising out of this sketch of our projected co-operative mortgage association, some difficulties immediately present themselves:

1. Who is to bear the expense of organisation?

The Provincial Government may reasonably be expected to bear the cost of initial organisation and, as well, the salary, during a period of say three years of that commissioner whom it designates managing commissioner.

2. What is likely to be the farmer's attitude towards the principle of collective liability?

This principle was thoroughly explained to the farmers of the province at the meetings of the Commission and was almost invariably heartily indorsed. It is a much more favourable arrangement than the ordinary partnership or the present system of store and implement credit, under which the merchant or dealer has to collect from those who pay the debts of those who will fail to pay; and in the co-operative purchase of binder twine it has already been tried with marked success in many districts of the province.

3. Where is the money to be obtained?

(a) *Sources within the Province.*—In any scheme, that seeks to be permanent, provision should be made for an increasing use of local funds. By the sale of interest bearing bonds within the province, the resources of our own people are made available in the first instance for our own local needs. A growing number will welcome the opportunity to invest in bonds that yield a higher rate of interest than savings deposits, and at the same time are easily negotiable within the province.

It is exceedingly difficult to form an accurate estimate of the amounts that might be available for investment or even for deposit within the province. At the present time, as the following table indicates, only about one-third of 1 per cent. of the balances in the Post Office Savings Bank of the Dominion comes from Saskatchewan:

	Canada	Saskatchewan
1911		
September.....	\$43,259,218	\$123,378
October.....	43,159,291	123,307
November.....	43,051,991	118,666
December.....	43,022,772	119,526

1912

January.....	\$42,962,553	\$118,409
February.....	42,769,594	116,397
March.....	43,563,764	111,133
April.....	43,104,213	111,184
May.....	42,792,297	114,613
June.....	42,683,232	116,666
July.....	42,696,793	121,366
August.....	42,726,347	127,271
September.....	42,661,908	132,928
October.....	42,406,934	130,914
November....	42,174,667	122,666
December....	42,034,988	117,879

1913

January.....	41,963,040	113,378
February.....	41,751,241	112,020
March.....	42,728,941	113,964
April.....	42,189,244	116,170
May.....	41,938,210	120,321
June.....	41,885,255	124,763
July.....	42,027,632	127,519
August.....	42,125,880	131,152

Information as to amounts on deposit in Saskatchewan was supplied by the general managers of only two of the chartered banks doing business in the province, and is therefore too incomplete to be of any value.

(b) *Sources outside the Province.*—For a considerable time to come the larger bulk of the funds required must inevitably come from sources outside the province. Until the association has established its reputation it must offer a security that is known to the investing public. To begin with, it must be remembered, the association possesses practically no assets, and, so far as the investing public abroad is concerned, no financial standing. Large mortgage corporations which float mortgage mortgage bonds abroad possess both. To serve in their place the association must secure one or both of the two following privileges:

1. The guarantee of the provincial government.

This would be required only temporarily, till the association had established its reputation. Should this be employed, as seems likely to be necessary, it is proper that the amount of the government guaranteed bonds should be determined annually by agreement between the government and the association.

2. The inclusion of these mortgage bonds in the British ^{Trustee list} trustee list.

For the regulation of the investment of trust funds the Lords Commissioners of the British Treasury

have approved certain investments and laid down certain conditions. The trustee list includes the securities of the Overseas Dominions, India and certain Crown colonies.

The following are the conditions:

1. The colony shall provide by legislation for the payment out of the revenues of the colony of any sums which may become payable to stockholders under any judgment, decree, rule or order of a court in the United Kingdom.
2. The colony shall satisfy the Treasury that adequate funds (as and when required) will be made available in the United Kingdom to meet any such judgment, decree, rule or order.
3. The colonial government shall place on record a formal expression of their opinion, that any colonial legislation which appears to the Imperial Government to alter any of the provisions affecting the stock to the injury of the stockholders, or to involve a departure from the original contract in regard to stock, would properly be disallowed.

The securities of the Dominion of Canada have access to this list. So, also, have those of the various Australian States, Natal, the Cape of Good Hope, New Zealand, Newfoundland and India. The Australian States secured admission before they were constituted a commonwealth, while they were still individually in the colonial relation to Great Britain. This privilege the Province of Saskatchewan never possessed. Nor under clause 3 can our securities qualify for admission, for our constitutional arrangements do not contemplate bringing our provincial legislation directly under the purview of the Imperial Government. Yet the injustice of according our securities an inferior status to those of Hong Kong seems evident. So far representations have proved unavailing.

Mr. Henry Wolff, the eminent authority on co-operative banking, writes: "Why should not colonial land bonds be gladly accepted as good investments in Great Britain? It all depends upon the system upon which they are issued, and the safeguards observed to make sure that they represent good value. * * * Once land bonds could be made to find a market in the old country—which it is only reasonable to presume that they would—capital, which is, in the colonies, largely wanted for purposes of development, might be attracted in substantial sums from the United Kingdom."

OTHER SOURCES.

- (a) *On the Continent.*—The market for co-operative mortgage bonds on the continent at present must be acknowledged to be problematical. Such bonds from

Denmark do find a ready market in Germany and are issued contemporaneously in Hamburg and Copenhagen. Saxon bonds sell throughout the German Empire. But these are rather the exceptions. In some cases the boast, in others the complaint, is that these bonds sell at home where the security is best known. It can reasonably be expected that the sale of a Saskatchewan co-operative mortgage bond on the continental market belongs rather to the future than to the present.

(b) *In Canada.*—Apart from direct investment in mortgage bonds, which, it can be anticipated, if the rate of interest be sufficient, will take place on an increasing scale throughout the Dominion it may be well to enumerate briefly the various funds, which, either themselves or those corresponding to them, are in other countries devoted to this purpose. Funds in Canada

1. Post office savings funds. (August, 1913, \$42,125,880.)
2. Proportion of profits accruing to banks as a result of their privilege of issue.
3. Annuities funds.
4. Direct grant from national government.
5. Government savings bank funds.
4. How is personal credit to be provided?

Experience shows that mortgage business is different from banking business. But because the two branches of business are distinct is no reason why they should not be sympathetic. To secure this sympathy two features should be embodied in their relationship:

- (a) Those who direct the policy of one should direct the policy of the other as well. The scheme of the interlocking directorates, which has operated to the disadvantage of the public, can be made to work for the public benefit.
- (b) That policy should be in the interests of the borrowing community.

It is expedient, therefore, that the co-operative mortgage association, which is an association of borrowers, should itself establish a sister but independent institution to transact a regular banking business. The majority stock of this bank should be held by the mortgage association, and the balance sold to agriculturists within the province. The provincial government should at the time of the establishment of this bank render such assistance as will enable the association to control the bank in the interests of the agricultural industry. Association should aim to establish bank

The bank should open branches in such centres as from a banking point of view would be proper, and grant to locals of the mortgage association lines of credit for personal loans to its members. The officers of these locals should act as receiving agents for deposits for the bank, and, subject to the instructions of the bank, apply those deposits to personal loans up to the limit of the line of credit granted to the local by the bank. In this way the funds of every community would be available in the first instance for the needs of that community and the expense of transmitting funds would be reduced to a minimum. The various public and semi-public institutions of the province should be encouraged to transact their banking business with this bank. The profits might be devoted to two objects:

- (a) To spread the activities of the bank throughout the province.
- (b) After the bank is well established their proportion of the profits should be handed over to the agriculturist shareholders. The portion paid to the mortgage association might be devoted to:
 - 1. The building up of a reserve fund;
 - 2. The paying of amortisation instalments of outstanding debts.

Nor should it be forgotten that no small part of the function of this bank should be to raise the rate of interest on deposits and thus to secure to those who have funds to deposit a more reasonable return for their money.

5. Is the solution offered adequate or final?

The Commission would particularly insist that the solution which it offers is a solution *in the light of existing conditions*, one that is practicable and calculated to afford relief. The system proposed possesses within itself elements of permanence and a capacity for expansion and growth. But the Commission would be lacking in candour did it fail to reiterate a conviction to which it gave expression in the introduction to this report: "Agricultural Credit is a problem which cannot be solved by one borrower or one community and perhaps not even satisfactorily by one province." This is a nation-wide issue demanding a nation-wide policy. The adoption of Raiffeisen or Schulze-Delitzsch or other neighbourhood societies may not be immediately practicable, but these societies contain the germ of a tremendous principle within their constitution, the principle of local cohesion. Through them, local resources are allowed to exert their fructifying influences. They stand upon a solid basis of security, the security of mutual confidence and control.

In Europe these neighbourhood banks are through central organisations intimately associated with the banks of issue and serve for them as a species of gauge or financial thermometer.

More significance is attached to the resources and needs of the local communities, the security at the base, than to the arbitrary, if honest, policy of the director at the top. In Canada we pride ourselves on our centralised system of banking. In the face of severest criticism it does not stand condemned. It has a function to perform, and, on the whole, it has performed it ^{Present banking system inadequate} fairly well. But it is not suited to the producing agriculturist. It is not calculated to respond to local needs and local sympathies.

In Quebec co-operative banks have been introduced. But conditions in Quebec are more like those in Europe than are conditions in any other part of the Dominion. It will be long before Saskatchewan resembles either Quebec or Europe. And yet these neighbourhood banks established on co-operative principles are the ultimate goal. They furnish the farmer the open account. They place agriculture upon a business basis. But they are possible only under two conditions:

1. When the funds of the neighbourhood tend to be sufficient for the economic needs of that community.
2. When the resources of the local community are supplemented by resources put at the disposal of that community by some strong central body.

In Europe this assistance comes from banks of issue, savings banks or governmental sources. In our country this should come from postal savings, the profits on note issues or the Dominion government. It is a nation-wide issue, to supplement, not to supplant our banking facilities in the interests of agricultural credit. The solution offered by this Commission is practicable. It will endure. But it does not solve the whole question of rural finance. That is a problem for the whole Dominion.

CHAPTER X.—RECOMMENDATIONS.

Co-operation
should be
fostered

- That, inasmuch as in the experience of older communities cheaper agricultural credit is invariably associated intimately with other phases of agricultural co-operation, such additional legislation be enacted by the Legislature and information and guidance provided by the government as will further facilitate on the part of the farmers of the province the establishment upon a sound basis of a system of local and central rural co-operative societies for purchasing and selling farm products and supplies.

Mortgage
association
should be
formed

- That legislation be enacted to provide for the establishment of a Co-operative Mortgage Association for the raising of funds on mortgage bonds and the granting of loans to farmers on mortgage security for approved agricultural productive or improvement purposes only; such legislation to embody the features hereinafter mentioned.

Its constituent
parts

- That the Association be known as the Saskatchewan Co-operative Farm Mortgage Association and consist of a central commission, an advisory board, local associations, individual members and an annual general meeting.

Central
commission

- That the central commission consist of at least three members clothed with the necessary authority as the executive body of the association;

(a) At the outset the government to appoint all members:

(b) One of the members to devote his whole time to the work of the association as managing commissioner and to be the only salaried member of the commission;

(c) As the association acquires financial standing and is able to dispense with the provincial guarantee in the marketing of its securities, the selection of commissioners to be gradually transferred to the association acting through its annual general meeting.

Advisory
board

- That an advisory board of fifteen members be created to act in an advisory capacity in relation to the commission; the members to be appointed part by the association acting through its annual general meeting and the remainder by such organisations and institutions in the province as exist to promote agricultural betterment.
- That the individual members be borrowers admitted by vote of the local association into its membership,

Conditions of
membership

approved mutually and by the central commission and who have paid the initial entrance fee of \$10.

7. That each local association consist of at least ten members with a combined mortgage loan of at least \$5,000, united on the basis of joint and several liability, formed by mutual consent and with each member approved by the central commission. Local association how formed

8. That the annual general meeting consist of representatives, one from each local association. Annual general meeting

9. That the first general meeting be not summoned and loans to individuals be not made until at least twenty-five local associations have been formed as provided in section seven by the central commission. When summoned

10. That the liability of the individual member, whether as member of the local association or as member of the Saskatchewan Co-operative Farm Mortgage Association, in respect of any obligation incurred or losses suffered or in any other respect whatever, be limited to an amount not more than fifty per cent. greater than the amount of his loan. Members' liability

11. That the liability of the several local associations to the Saskatchewan Co-operative Farm Mortgage Association be in the ratio of the aggregates of the mortgage loans of the members composing such associations. Liability of local association

12. That all mortgage loans be issued on an amortisation basis to cover a period of not less than fifteen, and not more than thirty-five years, with the option reserved to the borrower, upon three months' notice being given or a bonus of three months' interest being paid, of paying the whole or any part of the balance due in excess of the stipulated payment on any regular day of payment before the final; always provided that payments in excess of the regular payment shall not release the borrower from his obligation to meet promptly his subsequent consecutive annual payments until the amount of his indebtedness has been discharged. Loans on amortisation plan

13. That the funds required by the association for loans to its members be raised on mortgage bonds issued by the association and fully guaranteed by the provincial government, the amount of such government guaranteed bonds to be determined annually by agreement between the provincial government and the association. Securing funds

14. That the association advance its funds to the borrower at a rate of interest which will include only the cost to the association of the money itself, the expenses of administration and provision for the creation of a Rate of interest. No profits

Limit of loans	reserve fund to provide such security and guarantee for the future issue of mortgage bonds as will in the course of time render government guarantees unnecessary and place the association upon a purely self-supporting basis.
Government grant for organisation	<ol style="list-style-type: none"> 15. That loans be limited to 40 per cent. of the central commission's valuation of the property to be mortgaged. 16. That the provincial government make a grant of not less than \$10,000 towards the expense of organising the Saskatchewan Co-operative Farm Mortgage Association and also pay the salary of the managing commissioner for at least three years.
Bank for personal credit	<ol style="list-style-type: none"> 17. That the Saskatchewan Co-operative Farm Mortgage Association establish as soon after its foundation as is feasible a bank with headquarters within the province to conduct a regular banking business both through branches of its own and, wherever possible, with and through the locals and officers of the association: <ol style="list-style-type: none"> (a) Such assistance to be rendered by the provincial government at the time of the establishment of such bank as will enable the Saskatchewan Co-operative Farm Mortgage Association to control it in the interests of the agricultural industry.
Land titles fees	<ol style="list-style-type: none"> 18. That the schedule of land titles fees be so revised that, while not yielding any less revenue to the provincial treasury or causing specific services to be performed at a loss, they shall bear less heavily upon the homesteader whose land is incumbered at the time of the issuance of the patent therefor.
Trustee list	<ol style="list-style-type: none"> 19. That the representations which for some time past have been made by the government be continued through the proper channels to the Lords Commissioners of the British Treasury to include the securities of the Province of Saskatchewan and securities guaranteed by the provincial government in the British trustee list.
Training accountants	<ol style="list-style-type: none"> 20. That the provincial university be asked to furnish either by regular classes or through its extension department or otherwise such instruction as will provide a knowledge of accounting methods and disseminate throughout the province an adequate acquaintance with co-operative principles.

All of which is respectfully submitted.

J. H. HASLAM, *Chairman.*
CHAS. A. DUNNING,
EDMUND H. OLIVER.

